

Message Text

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ORIGIN IO-13

INFO OCT-01 EUR-12 ISO-00 ABF-01 EB-07 CAB-05 CIAE-00
COME-00 DODE-00 DOTE-00 INR-07 NSAE-00 CIEP-02 FAA-00
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DRAFTED BY IO/TRC:CHARTLEY:AMP
APPROVED BY IO/TRC: WALKER A. DIAMANTI
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FM SECSTATE WASHDC
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E.O. 11652: N/A

TAGS: AORG, AFIN, ICAO

SUBJECT: FUTURE PAYMENTS UNDER DANISH AND ICELANDIC JOINT
FINANCING AGREEMENTS

REF: SECGEN LAMBERT'S LETTER A1/24-76/202 OF DECEMBER 22,
1976

US ICAO REP SHOULD SEND FOLLOWING LETTER (WITH APPROPRIATE
SALUTATION AND CLOSING) TO SECGEN LAMBERT, LEAVING A COPY,
IF APPROPRIATE, WITH UK REP:

QUOTE I HAVE RECEIVED YOUR LETTER OF DECEMBER 22, 1976
NOTING THAT THE JOINT SUPPORT COMMITTEE HAS AGREED TO A
PROCEDURE FOR PAYMENTS UNDER THE DANISH AND ICELANDIC JOINT
FINANCING AGREEMENTS. ACCORDING TO YOUR LETTER, THE GOVERN-
MENTS OF DENMARK AND ICELAND WILL CONSULT ON OR ABOUT
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JANUARY 1, APRIL 1, JULY 1 AND OCTOBER 1 WITH THE GOVERN-
MENTS OF THE UNITED KINGDOM AND UNITED STATES TO REACH
AGREEMENT ON EXCHANGE RATES TO BE USED FOR PAYMENTS. YOU
STATE THAT THESE WILL BE BASED ON MIDDLE-MARKET BANK RATES.

QUOTE THE UNITED STATES SUPPORTS THE CONCEPT OF USING
MUTUALLY AGREED COMMERCIALY AVAILABLE EXCHANGE RATES TO

DETERMINE CONTRACTING GOVERNMENTS' PAYMENTS UNDER THE JOINT

FINANCING AGREEMENTS. IT CANNOT, HOWEVER, AGREE TO THESE EXCHANGE RATES BEING BASED ON MIDDLE-MARKET BANK RATES AS THE TERM IS NORMALLY DEFINED - THAT IS, A VALUE ONE-HALF WAY BETWEEN THE BUYING AND SELLING RATE OF A PARTICULAR CURRENCY. THE US GOVERNMENT WILL REQUEST A RATE AT LEAST AS FAVORABLE AS THE US PREVAILING RATE, I.E., THE MOST FAVORABLE LEGAL RATE AT WHICH IT CAN BUY DANISH AND ICELANDIC KRONER FOR DOLLAR INSTRUMENTS ON JANUARY 1, APRIL 1, JULY 1 AND OCTOBER 1. WE BELIEVE THAT THE GOVERNMENTS OF DENMARK AND ICELAND SHOULD NOT EXPECT TO RECEIVE A DOLLAR EQUIVALENT GREATER THAN WHAT WOULD BE REQUIRED TO PURCHASE THE LOCAL CURRENCY AMOUNT OF THE ASSESSMENTS.

QUOTE AS YOU KNOW, THE US HAS BEEN PAYING ITS ASSESSMENT, UNDER THE ICELANDIC AGREEMENT, ON THE BASIS OF AGREED JANUARY 1 AND JULY 1 EXCHANGE RATES. AT EACH SIX-MONTH INTERVAL, ICELAND HAS BEEN PROPOSING A RATE DESCRIBED AS A MIDDLE-MARKET BANK RATE, BUT WHICH IN FACT IS MORE FAVORABLE TO THE US THAN THE US PREVAILING RATE. FOR EXAMPLE, ICELAND PROPOSED 184.10 KRONER PER US DOLLAR FOR THE JULY 1, 1976 US ASSESSMENT. THE US PREVAILING RATE ON JUNE 30, 1976 WAS 183.90 KRONER PER US DOLLAR, SO THE US ACCEPTED THE ICELANDIC PROPOSAL WITHOUT FURTHER QUESTION. UNQUOTE
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Sent Date: 12-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
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Litigation History:
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